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C O N F I D E N T I A L SECTION 01 OF 02 CARACAS 002045

SIPDIS

NSC FOR TSHANNON AND CBARTON
ENERGY FOR DPUMPHREY AND ALOCKWOOD

E.O. 12958: DECL: 06/20/2014

TAGS: EPET VE

SUBJECT: PDVSA: AND YET MORE RESHUFFLING?

SUMMARY

¶1. (C) RUMORS OF UPCOMING SENIOR LEVEL
DEPARTURES/REASSIGNMENTS WITHIN VENEZUELA'S ENERGY SECTOR ARE
ONCE AGAIN REACHING FEVER PITCH IN CARACAS WITH PETROLEOS DE
VENEZUELA (PDVSA) PRESIDENT ALI RODRIGUEZ, CITGO PRESIDENT
LUIS MARIN, AND VICE MINISTER FOR HYDROCARBONS LUIS VIERMA
THE MOST POPULAR TARGETS OF THE RUMORS. THESE RUMORS OF
SENIOR LEVEL CHANGES ARE IN ADDITION TO CONTINUING PERSONNEL
CHANGES AT MORE JUNIOR LEVELS WITHIN PDVSA. THE MANAGEMENT
OF THE COMPANY IS ATOMIZED WITH DECISION-MAKING PARALYZED IN
THE FACE OF POWER WRANGLING. END SUMMARY.

THE RUMORS

¶2. (C) PDVSA PRESIDENT ALI RODRIGUEZ IS SAID (AT LEAST IN
PETROLEUM CIRCLES) TO BE LEAVING PDVSA, AND POSSIBLY ON HIS
WAY TO HEAD PRESIDENT CHAVEZ'S ELECTION CAMPAIGN. RUMORS ON
THE STREET HOLD THAT HE WILL BE REPLACED BY JOSE LUIS PRIETO,
A RETIRED ARMY GENERAL AND FORMER DEFENSE MINISTER FIRST
ASSIGNED TO THE PDVSA BOARD IN MARCH 2004 AND RAPIDLY
PROMOTED TO THE POSITION OF VICE PRESIDENT. CITGO PRESIDENT
LUIS MARIN IS ALSO SAID TO BE ON THE VERGE OF RETURNING TO
THE BOARD. THE RUMORS HOLD VARIOUSLY THAT HE WILL TAKE
PRIETO'S POSITION ON THE BOARD OR THAT HE WILL ASSUME THE
EXTERNAL DIRECTOR POSITION NOW HELD BY VICE MINISTER LUIS
VIERMA.

¶3. (C) VIERMA, WHO NOW HOLDS THE TITLES OF VICE MINISTER OF
HYDROCARBONS, EXTERNAL DIRECTOR OF PDVSA, PRESIDENT OF PDVSA
AFFILIATE CVP (CORPORACION VENEZOLANA DE PETROLEO), AND VICE
PRESIDENT OF PDVSA GAS, IS A PARTICULARLY POPULAR TARGET FOR
RUMORS. ONE HIGHLY REGARDED INDUSTRY SOURCE REPORTED ON JUNE
11 THAT VIERMA WILL NOW ADD THE PRESIDENCY OF PDVSA'S
RESEARCH ARM, INTEVEP, TO HIS PORTFOLIO. HOWEVER, THE TITTLE
TATTLE AT THE JUNE 15-17 LATIN AMERICAN PETROLEUM SHOW IN
MARACAIBO HELD THAT VIERMA WILL BE REPLACED AS VICE MINISTER
AT THE BEHEST OF MINISTER RAFAEL RAMIREZ WHO WANTS VIERMA OUT
BECAUSE "HE IS A BACKSTABBER." THE GOSSIP CLAIMED THAT THE
VICE MINISTER POSITION HAD BEEN OFFERED TO LUIS MARIN WHO
TURNED IT DOWN IN ORDER TO RETURN TO THE PDVSA BOARD. CITGO
VICE PRESIDENT FRANK GYGEK WAS RUMORED TO BE A POSSIBLE
SUCCESSOR TO MARIN AS CITGO PRESIDENT.

¶4. (C) AT THE MINISTRY OF ENERGY AND MINES (MEM),
HYDROCARBONS DIRECTOR EDITH GOMEZ HAS BEEN REPLACED BY
VENEZUELA'S OPEC GOVERNOR, IVAN ORELLANA. AN INTERNATIONAL
OIL COMPANY EXECUTIVE INFORMED ECONOFF JUNE 9 THAT ORELLANA
MAY WELL BE DESIGNATED AS VICE MINISTER TO REPLACE VIERMA.
INDUSTRY SOURCES TELL US THAT HE WOULD BE A SOLID CANDIDATE
FOR THAT POSITION.

THE TURMOIL CONTINUES

¶5. (C) THESE SENIOR LEVEL CHANGES ARE, OF COURSE, IN ADDITION
TO THE CONTINUING PERSONNEL CHANGES AT LOWER LEVELS IN PDVSA.
HERVE GEHIN, VENEZUELA COUNTRY MANAGER FOR THE GIANT SERVICE
COMPANY SCHLUMBERGER, COMMENTED TO THE AMBASSADOR ON JUNE 12
THAT THE MANAGEMENT OF THE COMPANY IS ATOMIZED WITH
DECISION-MAKING PARALYZED IN THE FACE OF POWER WRANGLING.
GEHIN ADDED THAT FOUR DISTINCT GROUPS CAN STILL BE SEEN
WITHIN PDVSA. ACCORDING TO GEHIN THE GROUPS BREAK DOWN AS
FOLLOWS: THE ADHERENTS TO THE FATHERLAND FOR ALL (PATRIA
PARA TODOS - PPT) PARTY LED BY ALI RODRIGUEZ; ADHERENTS OF
CHAVEZ'S MVR PARTY STILL DEEPLY FRUSTRATED BY THE POWER OF
THE PPT WITHIN VENEZUELA'S ENERGY SECTOR; THE MILITARY, SAID
BY GEHIN TO BE ANXIOUS TO GET THEIR HANDS AS DEEPLY AS THEY
CAN INTO PDVSA'S TILL; AND, FINALLY, THE "OPPORTUNISTS" WHO
STAYED IN THE COMPANY AND CLIMBED UP THE LADDER FOLLOWING THE
DEPARTURE OF MORE SENIOR (OR MORE TALENTED) EMPLOYEES.

¶6. (C) GEHIN COMPARED PDVSA TO THE IRANIAN NATIONAL OIL
COMPANY, SAYING THAT THERE IS STILL TECHNICAL EXPERTISE THERE
AMONG THE AGING TECHNOCRATS WHO HAVE BEEN WITH THE COMPANY
SINCE BEFORE THE REVOLUTION, BUT POLITICS RULES THE DAY.
GEHIN SAID THAT PDVSA NEEDS SCHLUMBERGER (AND OTHER SERVICE

C) RUMORS OF UPCOMING SENIOR LEVEL DEPARTURES/REASSIGNMENTS WITHIN VENEZUELA'S ENERGY SECTOR ARE ONCE AGAIN REACHING FEVER PITCH IN CARACAS WITH PETROLEOS DE VENEZUELA (PDVSA) PRESIDENT ALI RODRIGUEZ, CITGO PRESIDENT LUIS MARIN, AND VICE MINISTER FOR HYDROCARBONS LUIS VIERMA THE MOST POPULAR TARGETS OF THE RUMORS. THESE RUMORS OF SENIOR LEVEL CHANGES ARE IN ADDITION TO CONTINUING PERSONNEL CHANGES AT MORE JUNIOR LEVELS WITHIN PDVSA. THE MANAGEMENT OF THE COMPANY IS ATOMIZED WITH DECISION-MAKING PARALYZED IN THE FACE OF POWER WRANGLING. END SUMMARY.

THE RUMORS

12. (C) PDVSA PRESIDENT ALI RODRIGUEZ IS SAID (AT LEAST IN PETROLEUM CIRCLES) TO BE LEAVING PDVSA, AND POSSIBLY ON HIS WAY TO HEAD PRESIDENT CHAVEZ'S ELECTION CAMPAIGN. RUMORS ON THE STREET HOLD THAT HE WILL BE REPLACED BY JOSE LUIS PRIETO, A RETIRED ARMY GENERAL AND FORMER DEFENSE MINISTER FIRST

ASSIGNED TO THE PDVSA BOARD IN MARCH 2004 AND RAPIDLY PROMOTED TO THE POSITION OF VICE PRESIDENT. CITGO PRESIDENT LUIS MARIN IS ALSO SAID TO BE ON THE VERGE OF RETURNING TO THE BOARD. THE RUMORS HOLD VARIOUSLY THAT HE WILL TAKE PRIETO'S POSITION ON THE BOARD OR THAT HE WILL ASSUME THE EXTERNAL DIRECTOR POSITION NOW HELD BY VICE MINISTER LUIS VIERMA.

13. (C) VIERMA, WHO NOW HOLDS THE TITLES OF VICE MINISTER OF HYDROCARBONS, EXTERNAL DIRECTOR OF PDVSA, PRESIDENT OF PDVSA AFFILIATE CVP (CORPORACION VENEZOLANA DE PETROLEO), AND VICE PRESIDENT OF PDVSA GAS, IS A PARTICULARLY POPULAR TARGET FOR RUMORS. ONE HIGHLY REGARDED INDUSTRY SOURCE REPORTED ON JUNE 11 THAT VIERMA WILL NOW ADD THE PRESIDENCY OF PDVSA'S RESEARCH ARM, INTEVEP, TO HIS PORTFOLIO. HOWEVER, THE TITTLE TATTLE AT THE JUNE 15-17 LATIN AMERICAN PETROLEUM SHOW IN MARACAIBO HELD THAT VIERMA WILL BE REPLACED AS VICE MINISTER AT THE BEHEST OF MINISTER RAFAEL RAMIREZ, WHO WANTS VIERMA OUT BECAUSE "HE IS A BACKSTABBER." THE GOSSIP CLAIMED THAT THE VICE MINISTER POSITION HAD BEEN OFFERED TO LUIS MARIN WHO TURNED IT DOWN IN ORDER TO RETURN TO THE PDVSA BOARD. CITGO VICE PRESIDENT FRANK GYGEK WAS RUMORED TO BE A POSSIBLE SUCCESSOR TO MARIN AS CITGO PRESIDENT.

14. (C) AT THE MINISTRY OF ENERGY AND MINES (MEM), HYDROCARBONS DIRECTOR EDITH GOMEZ HAS BEEN REPLACED BY VENEZUELA'S OPEC GOVERNOR, IVAN ORELLANA. AN INTERNATIONAL OIL COMPANY EXECUTIVE INFORMED ECONOFF JUNE 9 THAT ORELLANA MAY WELL BE DESIGNATED AS VICE MINISTER TO REPLACE VIERMA. INDUSTRY SOURCES TELL US THAT HE WOULD BE A SOLID CANDIDATE FOR THAT POSITION.

THE TURMOIL CONTINUES

15. (C) THESE SENIOR LEVEL CHANGES ARE, OF COURSE, IN ADDITION TO THE CONTINUING PERSONNEL CHANGES AT LOWER LEVELS IN PDVSA. HERVE GEHIN, VENEZUELA COUNTRY MANAGER FOR THE GIANT SERVICE COMPANY SCHLUMBERGER, COMMENTED TO THE AMBASSADOR ON JUNE 12 THAT THE MANAGEMENT OF THE COMPANY IS ATOMIZED WITH DECISION-MAKING PARALYZED IN THE FACE OF POWER WRANGLING. GEHIN ADDED THAT FOUR DISTINCT GROUPS CAN STILL BE SEEN WITHIN PDVSA. ACCORDING TO GEHIN THE GROUPS BREAK DOWN AS FOLLOWS: THE ADHERENTS TO THE FATHERLAND FOR ALL (PATRIA PARA TODOS - PPT) PARTY LED BY ALI RODRIGUEZ; ADHERENTS OF CHAVEZ'S MVR PARTY STILL DEEPLY FRUSTRATED BY THE POWER OF THE PPT WITHIN VENEZUELA'S ENERGY SECTOR; THE MILITARY, SAID BY GEHIN TO BE ANXIOUS TO GET THEIR HANDS AS DEEPLY AS THEY CAN INTO PDVSA'S TILL; AND, FINALLY, THE "OPPORTUNISTS" WHO STAYED IN THE COMPANY AND CLIMBED UP THE LADDER FOLLOWING THE DEPARTURE OF MORE SENIOR (OR MORE TALENTED) EMPLOYEES.

16. (C) GEHIN COMPARED PDVSA TO THE IRANIAN NATIONAL OIL COMPANY, SAYING THAT THERE IS STILL TECHNICAL EXPERTISE THERE AMONG THE AGING TECHNOCRATS WHO HAVE BEEN WITH THE COMPANY SINCE BEFORE THE REVOLUTION, BUT POLITICS RULES THE DAY. GEHIN SAID THAT PDVSA NEEDS SCHLUMBERGER (AND OTHER SERVICE

UNCTIONS. PDVSA DECISION-MAKING IS PAINFULLY SLOW AND EVEN THE MOST MINOR DECISIONS MUST BE MADE AT THE TOP. HE NOTED THAT THE PDVSA ORGANIZATION CHART BEARS NO RELATION TO THE REAL POWER RELATIONSHIPS IN THE COMPANY. AS A RESULT, SCHLUMBERGER NOW INSISTS ON EVERYTHING IN WRITING. GEHIN'S COMMENTS TO THE AMBASSADOR ECHO THE STORIES WE REPEATEDLY HEAR FROM OTHER SERVICE COMPANIES AND THE INTERNATIONAL OPERATORS ABOUT THE FRUSTRATIONS THEY FACE IN DEALING WITH PDVSA ON A DAY TO DAY BASIS.

COMMENT

17. (C) DESPITE THE PDVSA/MEM ROADSHOWS DESIGNED TO SHOW THE WORLD (AND PARTICULARLY THE FINANCIAL WORLD) THAT ALL IS NORMAL WITHIN THE VENEZUELAN ENERGY INDUSTRY, THIS IS STILL FAR FROM THE TRUTH. DECISION-MAKING IN PDVSA LOOSENERED UP IMMEDIATELY FOLLOWING THE STRIKE IN THE EFFORT TO GET PRODUCTION GOING AGAIN BUT HAS SINCE RETURNED TO THE HANDS OF SENIOR MANAGEMENT IN CARACAS. THAT LUIS VIERMA STILL ENCUMBERS NO LESS THAN FOUR SENIOR MANAGEMENT POSITIONS DEMONSTRATES THE SHALLOWSNESS OF THE MANAGEMENT POOL. THE CONTINUED SHUFFLING OF THE MANAGEMENT IN PDVSA AND THE MINISTRY PERHAPS DEMONSTRATES A LACK OF TRUST IN THEIR REVOLUTIONARY ARDOR. AT THE END OF THE DAY, WE WOULD NOT BE SURPRISED TO SEE THE MILITARY, ALWAYS CHAVEZ'S MOST TRUSTED LIEUTENANTS, TAKE MORE CONTROL OVER THE INDUSTRY.

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2004CARACA02045 - CONFIDENTIAL